

GOVERNMENT

## hopes fade for a self-supporting Postal Service

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For the nearly four years of its existence as a quasi-corporate, independent government agency, the U. S. Postal Service has counted on a steadily increasing volume of mail, combined with improved management and heavier reliance on automation, to minimize its dependence on government subsidy and to make it a largely self-supporting venture by 1984.

But the economic slump and growing customer resistance to rising mail rates now threaten to undermine that goal. Mail volume, which is currently running at about 90-billion pieces annually, almost certainly will not grow by the 2% to 3% hoped for in the coming fiscal year and may actually decline for the first time since the Depression of the 1930s.

As if that were not enough, Benjamin Franklin Bailar, the new Postmaster General and a former vice-president of American Can Co., faces the prospect of being hit with "work stoppages"—postal workers cannot strike legally—by June 21.

How the 40-year-old Bailar manages the mounting problems of the Postal Service—with 730,000 employees and \$9-billion in annual revenues—may well determine whether the experiment to convert mail service into a semi-business succeeds.

The broad outlines of his strategy are beginning to emerge. He is embarking on a high-risk middle course that he hopes will avoid the extremes of drastically increasing mail rates, sharply cutting back services, or retreating to a heavier dependence on federal subsidy, now running about \$1.8-billion a year.

**New business.** To shore up mail volume, Bailar plans to step up postal advertising and to start competing for potentially lucrative new business: delivery of unaddressed third-class advertising circulars, now distributed almost exclusively as newspaper inserts.

moving the mail; without it, productivity, economies of scale and plant, and vehicular utilization decline.

As for rates, Bailar already has announced that the 10¢ first-class stamp will go to 13¢ by early summer and other classes of mail will also increase by about 30% by early summer. Moreover, he anticipates another 2¢ increase in fiscal 1977. That would mean a 50% hike over a two-year period. However, Bailar argues that, historically, stamp

Such sorting is now performed for banks and other large postal users at below-cost fees. Residents of new housing, under his plan, will have to make do with cluster box delivery at corners compared with more expensive door-to-door delivery.

Bailar will try to finesse his most pressing near-term problem, negotiation of a new postal labor agreement starting on Apr. 21. He says he will not be bound by President Ford's request that federal employee wage increases be held to no more than 5%, because "our people buy groceries at the same stores as everyone else."

Even at 5%, an across-the-board hike for all postal employees would cost \$500-million. A 10% increase costing \$1-billion and not counting cost-of-living escalator provisions is likely to emerge.

But while being flexible on money, Bailar plans to hang tough on expanding use of computerized studies of a letter carrier's movements and loads on routes to improve efficiency and eliminate excess staffing, under a plan called "Kokomo" for the Indiana city where it was first tried.

Now, postal management is testing the Kokomo plan in Portland, Ore., and will soon begin a trial run in Providence, R.I. The postal unions would like to head it off before it goes further. They say that nationwide application of the plan would ultimately cost them 25,000 members and they will go to the mat on the



Postmaster General Bailar faces a prospect of work stoppage.

prices have not exceeded the growth in the Consumer Price Index.

Most of the financial burden of new increases will fall on business since business accounts for 80% of the volume of first class mail and a higher percentage of other mail. Stepping up government subsidy of mail operations instead of raising rates discriminates in favor of business users in Bailar's view. Though corporations are the biggest users, they pay only 25% of federal taxes from which postal subsidies must come, he notes.

**Rate increases.** Bailar also contemplates some increase for specialized services as well as limited service reductions. He expects, for example, to start charging rates commensurate with

issue.

Bailar disputes the unions' estimate, pointing out that no present employee would lose a job, because the union has a no-layoff clause. Yet Bailar, who moved up from Deputy Postmaster General to the top job in January when E. T. Klassen, former president of American Can, departed, does not rule out the possibility of a strike.

With all this going on, and Congressional mailbags piling up with complaints against postal service and rates, it was an awkward time for Bailar's baptismal visit to Capitol Hill recently to argue for a \$1.8-billion subsidy for fiscal 1976. But by all accounts, the House Post Office & Civil Service Committee was sympathetic to his plea for more time to work out the kinks.